Understanding the Processes Underlying Inter-firm Collaboration: Mutual Forbearance and the Principle of Congruity

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This paper makes a theoretical innovation by integrating two key principles – mutual forbearance and the principle of congruity – into one general process model. It examines the micro-mechanisms underlying the formation of a mutual-forbearance agreement and explicates the role of time and of individual actions. We further understanding of the process of cooperation building by drawing a parallel between early stages of the formation process of mutual forbearance and cooperation, and argue that mutual forbearance may, under certain conditions, lead to long-term cooperation or, if mismanaged, completely smother any chances of it. A prospective agreement may be put at risk when potential contributions are evaluated differently by each party and no action to mitigate the consequences is taken; even more so in a mutual-forbearance context when the parties can only observe their counterparts' actions through the market. Our model takes into account the micro-mechanisms associated with the time between the actions of one entity/individual (e.g. the top manager) and the reaction of another entity/individual, the boundary conditions of the background to those actions and the alternative actions available during this time. Propositions for further exploration and implications are drawn.

Introduction

The critical issue in establishing and managing an alliance is to create a structure that fosters trust and builds confidence in the alliance, such that all parties to the alliance bring their best efforts and resources into the alliance. A successful alliance is based on relationships that foster confidence in all the contracting parties, so that all are willing to invest in the alliance. The creation of relationships based on mutual forbearance and on the congruity of actions with other parties' frame of reference (the principle of congruity) is critical to the understanding of alliance formation and operation. This conceptual paper presents a process model that combines the concept of mutual forbearance with the principle of congruity in the formation of a

cooperative agreement such as a strategic alliance, thus contributing to the cooperation literature.

Mutual forbearance is defined as the 'situation in which all parties forbear on a reciprocal basis' (Bernheim and Whinston, 1990; Buckley and Casson, 1988, p. 35). We develop a time-based model for the evolution of mutual forbearance. Mutual forbearance is not full cooperation (Danese, 2011; Parkhe, 1993b, 1993c) as it relies on implicit or indirect interactions (cf. Ames, Weber and Zou, 2012). Mutual forbearance may lead to cooperation under certain conditions. It also diminishes rivalry (Ryu, Reuer and Brush, 2020; Theeke and Lee, 2017).

Mutual forbearance is a pre-cooperation mechanism. Prospective cooperation partners tend to evaluate their own potential contributions to the venture as well as those of their partners differently (Buckley, Cross and De Mattos, 2015; De Mattos and Salciuviene, 2019; Stopford and Wells, 1972).

A free video abstract to accompany this article can be found online at: https://youtu.be/lGj0WNCcgXY

When they take action towards the other party based on their evaluations, cooperation may be jeopardized. The mutual-forbearance process allows the parties to maintain (as a minimum) a neutral negotiation atmosphere, and progress towards cooperation (Luo, 2001). In the context of international cooperation, differences between cultures may become a hindrance (Adair, Weingart and Brett, 2007; Lee, Yang and Graham, 2006). A breakdown of interactions is more likely between parties from different cultures (Adler and Graham, 1989; Liu *et al.*, 2012a; Shenkar, Luo and Yeheskel, 2008). In interactions between two or more cultures, the effectiveness of mutual forbearance leading towards inter-firm cooperation is influenced by the amount of time needed for the consecutive acts of forbearance to take place, and the perceived equivalence (Ring and Vandeven, 1994) of acts of forbearance. This study sheds light on these micro-mechanisms, taking an individual or 'top manager' perspective.

Mutual forbearance is used as a strategy by firms targeting several markets concurrently, adopting multi-market strategies (Gimeno, 1999; Golden and Ma, 2003; Kocak and Ozcan, 2013). Mutual-forbearance practices are an integral part of the strategic portfolio of multinational corporations. Cases of mutual forbearance have been identified across a number of sectors, including airlines (Ciliberto and Williams, 2014; Evans and Kessides, 1994; Jayachandran, Gimeno and Varadarajan, 1999; Prince and Simon, 2009; Van Reeven and Pennings, 2016; Yu, Subramaniam and Cannella, 2009), telecommunications (Parker and Roller, 1997), banking and financial markets (Baum, Bowers and Mohanram, 2016; Bowers *et al.*, 2014; Heggestad and Rhoades, 1978; Martinez, 1990) and hotels (Fernandez and Marin, 1998; Ingram and Baum, 1997; Kalnins, 2004). Mutual forbearance has been examined through different theoretical lenses, including economics (Ciliberto and Williams, 2014; Evans and Kessides, 1994), strategy and competitive dynamics (Chen and Miller, 1994; Gimeno, 1999), marketing (Jayachandran, Gimeno and Varadarajan, 1999; Kang, Bayus and Balasubramanian, 2010; Shankar, 1999) and game theory (Arend and Seale, 2005; Seale, Arend and Phelan, 2006). Most studies are at the firm (Baum and Korn, 1996, 1999) or industry/market level (Feinberg, 1984), with few studies at the individual or managerial level (Baum, Bowers and Mohanram, 2016; Bowers *et al.*, 2014). Although mutual

forbearance is a well-established phenomenon, studies have not fully considered the micro-mechanisms underlying mutual forbearance as an antecedent of a cooperative venture-formation process, nor have they considered what is known about the micro-mechanisms of the cooperative venture-formation process to explain mutual forbearance. Literature investigating the process of mutual forbearance at the individual or top manager level is scarce. Moreover, few studies of cooperative agreements are at the individual level. Most work examines managerial characteristics, including trust-related studies (Bhattacharya, Devinney and Pillutla, 1998; Fulmer and Gelfand, 2012; Jones and George, 1998; Kim and Parkhe, 2009), game theory studies (Rao and Schmidt, 1998) and negotiation process studies (Chertkoff and Esser, 1976; Huffmeier *et al.*, 2014; Lander and Kooning, 2013; Walters, Stuhlmacher and Meyer, 1998).

The role of time in the formation process of mutual-forbearance agreements has not been investigated. Studies on the role of time in the context of collaborations have considered different perspectives, for instance, at the firm level the influence of time (e.g. the firm's age) in the cooperation process (Fernández-Olmos and Ramírez-Alesón, 2017) or in building trust (Vanneste, Puranam and Kretschmer, 2014). Studies at the individual level have not examined the subjective and often culturally based perceptions of time (Adair, Weingart and Brett, 2007; Mosakowski and Earley, 2000), nor the role of common individual characteristics in strengthening interpersonal ties that foster collaboration (Dahlander and McFarland, 2013). Despite the importance assigned to mutual forbearance as a viable inter-firm strategy, little is understood about the pre-formation stage of mutual-forbearance agreements when the parties take tactical steps, signals are interpreted and reactive tactics emerge.

Past literature distinguishes two types of research procedures in investigating processes. We propose a third process type. The first type examines dynamic changes within variables and the second type focuses on the progression of a sequence of events over time towards an expected outcome (Das and Van de Ven, 2000; Langley, 1999; Monge, 1990; Van de Ven and Huber, 1990; Van de Ven and Poole, 1995). The latter category offers a dynamic perspective with due consideration to the succession of events, as well as the intensity and duration of each (Das and Van de Ven, 2000). We

examine sequential events but also consider the time between events as a variable that may influence change in the subsequent event (or outcome event) that occurs after an initial (or a causal) event (Van de Ven and Huber, 1990). This time interval parallels what Monge (1990) refers to as the lag between the changes specified by causal and outcome variables and is equivalent to the process model proposed by Balakrishnan and Eliashberg (1995) to describe a two-party negotiation with a sequence of 'offers and counter-offers' (p. 226). The third type is where a sequence of events over time is examined concomitantly and considers the time between events as a causal variable. In the case of mutual forbearance, the time between one event (inaction from one party) and another event (inaction from the other party) may affect the outcome. The process of mutual-forbearance formation depends on interpretations regarding the actions (or inactions)[1] and the subsequent reactions of the parties involved, which indicate the willingness of either party to proceed in an expected way. These interpretations, and the expectations thereof, are assumed to be shared fully or partially by both parties. These inactions and reactions are events that occur over time, and their expected timing (or delay) will influence the way the (in)actions are subsequently interpreted.

Our process model characterizes the micro-mechanisms of the formation process of mutual forbearance in a novel perspective employing the principle of congruity. This process model explains the micro-dynamics of sequences of step actions (as well as intended inactions) that individuals follow while establishing an implicit understanding based on mutual forbearance. Mutual forbearance at the individual level is a cooperation-building action or practice – an action that may lead to cooperation. Individuals, or more specifically senior managers, by engaging in mutual forbearance, must make an effort to understand the mind-set of the other party through market signals. The outcome of this thought-intensive exercise, further exposure to the other party's behaviour and strengthened expectations around it, may lead to further advances towards full cooperation. Rather than an implicit or tacit collusion, which presupposes illegality, mutual forbearance is an expedient and

lawful strategic procedure attempting to increase the feasibility of specific (and otherwise resource-hungry) business initiatives. It may be a temporary situation where parties attempt to understand the objectives and strategies of each other through indirect interaction (cf. Ames, Weber and Zou, 2012) so they may grasp insights of each other's mind-sets, behaviours and even values. We present the concept of mutual forbearance as the formation of a tacit dyadic collaborative agreement through the lens of the principle of congruity 'reverse causality' (Buckley, Cross and De Mattos, 2015, p. 1050) or the principle of congruity reversed. Whereas the principle of congruity (Osgood and Tannenbaum, 1955) depicts, in a broad sense, an actor's agreement with those that are perceived as supporting his evaluations/arguments, the reverse interpretation highlights the adjustments needed for the principle to hold in cases where the 'other' (entity/individual) does not agree with the actor's evaluations/arguments. In the latter case, congruity will be achieved through the actor's adjustment of their frame of reference, which translates into an attitude change towards the 'other' (source of evaluations). We may illustrate the principle of congruity reversed by modernizing the gist of Osgood and Tannenbaum's (1955) example for the principle of congruity itself.[2] While the principle of congruity develops a positive evaluation of an action from a positive attitude to the source or actor, the principle of congruity reversed develops a negative attitude towards an actor or source due to negatively evaluated actions. Similar 'adjusting' behaviour has been noted within global strategic alliances, including those in the telecommunications sectors (WorldPartners, Concert, Global One, Unisource) (Oh, 1996), as well as car manufacturing (Burgers *et al.*, 1993). The latter situation highlights changes in the frame of reference of the actors caused by different evaluations, rather than emphasizing the behaviour of actors that similarly evaluate objects or other actors (as in the principle of congruity).

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[1]The term 'inactions' is used from here onward. Purposeful inactions consciously taken are termed managerial decisions.

[2]In their paper, Osgood and Tannenbaum (1955) use the example of *Pravda* (a USSR newspaper) arguing for nuclear disarmament, and the negative effect the cold-war US–USSR relations would have regarding this, which is a neutral, if not positive, idea. A contemporary illustration for the principle of congruity reversed is the relatively recent turnaround of China's image, considering US perspectives on China in 2020 vis-à-vis 2015.

Mutual forbearance

Mutual forbearance refers to a sequence of counteracted forbearance acts. Considering a bilateral interaction, one party's act of forbearance is counteracted by an act of forbearance from another party. The notion of forbearance and, by implication, mutual forbearance, generally reflects 'patient self-control, restraint and tolerance' or, in the legal context, 'the action of refraining from exercising a legal right [...]' (*Oxford English Dictionary*). The idea of forbearance and mutual forbearance is implicitly built upon expectations of future benefit, and should appeal 'most to those agents who take a long-term view of the situation' (Buckley and Casson, 1988, p. 34). A real-world example concerns cooperation between banks and insurance companies, where banks offer (cross-sell) insurance products to their clients. The benefits accrued by banks are less tangible and connected to sustaining customers' long-term satisfaction, bringing a one-stop experience to reality (Voutilainen, 2005). Definitions used in previous studies have varied. Mutual forbearance as well as forbearance relate to situations where actors refrain from acts that would be deemed logical or even rightful given the circumstances. Forbearance in legal studies refers to inaction (when some action was possible or expected) and its liability (consequences) (Sarkowicz, 1980). Action is expected based on existing law, regulation, norm or procedure, prescribing the given conditions of the environment surrounding the event. The law is concerned with the liability of the act that underwent forbearance. In order to establish liability of such (in)action, the norms regulating such an act and its forbearance should be analysed. Thus, we can establish a causal nexus between the antecedent (conditional) and the consequent (outcome). Close to mutual forbearance is the idea of reciprocity.[3] Mutual forbearance, although based on the notion of perceived equivalence, does not imply the same level of obligation and confidence of one action leading to an equivalent counter-action. Thus, mutual forbearance is associated with greater uncertainty than the notion of reciprocity, and it implies an increased vulnerability of the parties involved (cf. Malhotra, 2004). Moreover, while reciprocity usually presumes an exchange of concrete benefits directly between parties (Goldstein, Griskevicius and Cialdini, 2011), mutual forbearance is based on perceptions of an unsubstantiated likelihood of a future fair exchange.[4]

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[3]Reciprocity emerges from the idea that 'each party has rights and duties' (Gouldner, 1960, p. 169) relative to the other party. It may be associated with an expectation created by behavioural norms within the actor's cultural background, which may emphasize the obligation to reciprocate (Emerson, 1976; Gouldner, 1960).

[4]While reciprocity may be directly expressed for instance by solidarity and exchange of information (Swärd, 2016), a mutual-forbearance act cannot be expressed by any of these, as there is no direct communication between parties. When mutual forbearance is compared to generalized reciprocity (Das and Teng, 2002; Wincent *et al.*, 2010), indirect reciprocity among three or more parties is more likely for free-riding to take place. However, rather than with generalized reciprocity where a free-riding stimulus for instance may be due to the lack of information between acts of reciprocity between other parties, within mutual forbearance a free-riding is more likely to be due to a possible lack of perceived equivalence between indirect actions between the parties. Reciprocal actions between two parties imply a sequence of evaluations. A party should evaluate the importance of an action from the other party, then evaluate their possible actions, attempting to 'wear the other party's shoes' in choosing what would be seen as an equivalent action. This may be compared with the idea of heteromorphic reciprocity or reciprocity imbalance (Gouldner, 1960), which may occur within a generalized reciprocity setting – where different actions or objects may be considered as equivalent. The latter seem to be accepted as the rule in business transactions in that unequal exchanges are perceived as fair exchanges (Gouldner, 1960; Messick and Sentis, 1979). Arguably, the universal behaviour that permeates reciprocity (Gouldner, 1960; Malhotra, 2004) refers to intention, although there remain questions about the intensity of the intention or the timing of actions that demonstrate the intention. Swärd (2016) emphasizes that small goodwill-based reciprocal actions can develop trust, including actions that are tangible, based, for instance, on current norms in the industry (Swärd, 2016). We argue that a similar outcome should be expected in the case of mutual forbearance, but based on more intangible actions and harder-to-discern intentions underlying this action (where there is no direct communication between parties). Mutual forbearance is particularly valuable in uncertain conditions. In addition, one party must also time its actions and evaluate the time necessary for the other party to realize the intention behind such actions. The latter may be associated with an expectation created by behavioural norms within that actor's cultural background, which emphasizes the obligation to reciprocate (Gouldner, 1960). These steps are similar in the mutual-forbearance process and are modelled in later sections of the paper. A cyclic reinforcement of trust through reciprocity is envisaged (Pillutla, Malhotra and Murnighan, 2003). A cycle presumes an expectation of repeated

Examining mutual forbearance as a strategy that may lead to cooperation, we suggest that the formation of long-term successful collaboration depends on internal support for the deal (Fornell, Lorange and Roos, 1990) and on what happens during the face-to-face interactive process that precedes it. It also depends on the expectations of both organizations, represented by their senior managements' 'mind-set' (Chua and Woodward, 1993). Because this process usually involves decision-making at the individual (top manager) or team (senior management team) level, two issues are relevant.

1. In the context of the formation of mutual forbearance, how do senior managers or teams evaluate the intentions of competitors in order to foster long-term mutually beneficial outcomes, and act accordingly, while considering also the market actions of such competitors, and avoiding opportunistic behaviour?
2. What can individuals taking part in interactions leading to a mutual-forbearance process do to maximize the chances of building enduring business relationships?

The research on attitude formation and communications focus has been on senior managers' characteristics and their link to performance (Duane, 1983; Escribá-Esteve, Sánchez-Peinado and Sánchez-Peinado, 2009; Hambrick, 2007). This emphasizes inherited or learned characteristics and skills that are static at a given point in time, rather than the dynamics of the interaction process. In any such deal, there is the risk of non-reciprocity. It is not clear what thresholds and decision criteria are considered under such ambiguous conditions.

The development of this model focuses on the moderating role of mutual forbearance, countering the tendency determined by the principle of congruity. Mutual forbearance appears to be contrary to the principle of congruity because it either delays or rescinds expected reactions predicted by that principle. It supports the decision-makers' focus on the long-term potential of a strong relationship rather than fostering the impulse to follow the congruity principle and its ensuing focus on short-term gain. Practices and expectations regarding the duration of actions and reactions of one party may be perceived as an indication of (un)willingness or (non)commitment from the other parties involved.

Considering only an inter-organizational context, mutual forbearance refers to situations where one firm refrains from taking an aggressive approach against a competitor firm in one market and, due to such (in)action, receives reciprocally similar treatment in another market (Bernheim and Whinston, 1990; Haveman and Nonnemaker, 2000; Karnani and Wernerfelt, 1985; Prince and Simon, 2009).[5] This mechanism is central to an informal cooperative agreement, although rather than engaging on joint action, the parties reciprocally refrain from actions that would otherwise be expected to harm the other party. Mutual forbearance differs from collusion in that, regarding the former, strategic actions and reactions are based on opaque signals drawn indirectly from the product market, whereas the latter presupposes direct communication between the firms involved.

Inter-firm interaction may assume three modes: aggressive, neutral (Buckley and Casson, 1988) and cooperative or integrative (Moran and Ritov, 2007). Aggressive interactions take place when the actors pursue their own objectives without concern for the implications of their actions for others. In neutral interactions, actors willingly refrain from acts that would either disadvantage or give advantage to others (Buckley and Casson, 1988). In cooperative or integrative mode, actors seek to facilitate others to achieve their objective, even when little or no benefit to themselves is envisaged. Our general model may be used with firms as actors, and these 'actors' (or firms) may be associated with different behaviour towards other actors (or firms) in their operating environment. Mutual forbearance may be included as part of their portfolio of integrative actions or behaviour.

Thus far, mutual forbearance has been treated without attention to its formation process (e.g.

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interactions (Malhotra, 2004). In cross-cultural interactions, mutual forbearance influences the timing and intensity of (in)actions in a similar way as observed with reciprocity in the telecommunication sector (Kashlak *et al.*, 1998).

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[5]Because the notion of refraining from an action is linked intrinsically to the existence of the option to act, past studies have investigated forbearance-related concepts such as power while adding indirectly to the understanding of inter-firm actions (Feinberg, 1985).

Anand, Mesquita and Vassolo, 2009; Baum and Korn, 1999). Yet such agreements in a business context depend ultimately on how managers interpret the actions of competitors and act or react to such actions (Gimeno, 1999). Mutual forbearance may be seen as the result of individual actions over time, bearing in mind the influence of a number of moderators. Decisions taken at the individual level (e.g. senior manager's interpretation of the market implications of the strategic moves of another firm) will impact mutual forbearance acting at the firm level. Considering time and interactions at the individual level (including non-observable interactions), viewed through the principle of congruity, allows both positive and negative behaviour of firms in a business context to be better understood in the light of moderating factors such as individual-level different cultural and mind-set influences. Improved understanding of the micro-dynamics of this process leads to the avoidance of impulsive (re)actions that initiate or escalate conflict, paving the way for more fruitful relationships.

Mutual forbearance has been investigated in several knowledge domains and at three levels of analysis (market, firm, and individual level).[6] The extant literature on mutual forbearance, its micro-dynamics and influence on behaviour at the individual level is scarce. At this level of analysis, we look at mutual forbearance in the context of interactions between individuals, and how managers behave under conditions preceding a mutual-forbearance agreement. Considering a broader perspective, a number of forbearance-related studies occur in business-related subfields, including psychology (McCullough, Fincham and Tsang, 2003; Milgram, Stern and Levin, 2006). These observe situations where actors refrain from taking action against others; action that would otherwise take place following customary behaviours such as a 'tit for tat' approach (Axelrod, 1990; Milgram, Stern and Levin, 2006). At the team and individual level, we observe decision-makers' strategic behaviour arising from socially constructed scenarios and influencing notions of 'value and merit' (Ailon, 2008; Calás, 1993; Calas and Smir-

cich, 1999; Cooper, 1989), which in turn portray the problems at hand and their implications. Such circumstantial conditions and contextual understanding cannot be unbiased (Ailon, 2008) and may generate various 'truths' or interpretations of reality (Manning and Cullum-Swan, 1994). The general concept of mutual forbearance is important because it is a major theoretical underpinning for the way the process of a type of cooperation is developed through the impact of individual actions and reactions over time.

Cooperation in general and business cooperative agreements has been investigated at various levels and theoretical perspectives (Beamish and Killing, 1997; Kim and Parkhe, 2009; Parkhe, 1993a). Studies have attempted to clarify questions such as 'what are the determinants of a successful business cooperation?' or 'what is the best partner in a given situation constrained by particular circumstances?', usually focusing on the firm level. The formation and use of joint-venture strategies has been investigated since the 1970s (Stopford and Wells, 1972). A number of theoretical models explain cooperative ventures (Beamish and Banks, 1987; Buckley and Casson, 1997; Geringer and Hebert, 1989; Grant and Baden-Fuller, 2004; Parkhe, 1993c). Investigations of cooperation formation at the individual level have been more limited, in spite of the anecdotal evidence suggesting that few CEOs excel in fostering such agreements. An example is Carlos Ghosn who brought together Nissan and Renault (Stoll, 2017), but this ended in tragedy.

The process of cooperation forming depends on the actions and reactions of individuals through their business decisions, which in turn are based on expectations and perceptions of the importance of objects of negotiation. This defines what is a 'fair' deal (Guth, Schmittberger and Schwarze, 1982). Although current models often portray the egoistic behaviour of individuals, individuals may hold collectivist views and behave accordingly (Wagner III, 1995), eroding the validity of the usual assumptions. Thus, contrary to the business and economics literature, which emphasizes individual and rational thinking in the pursuit of unfulfilled needs, cooperation is a more complex phenomenon and its understanding requires broader theoretical perspectives. For instance, drawing from evolutionary biology, we see cooperation as a human characteristic that is a vital component of the instinct for survival (Sterelny *et al.*, 2013).

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[6]The literature on mutual forbearance has usually focused on the level of the firm (Buckley and Casson, 1988; Golden and Ma, 2003; Phillips and Mason, 1992; Yu et al., 2009) and the market level – the latter usually associated with studies of competitive behaviour.

Cooperation is associated with widespread benefit, resulting in a sustainable/stable situation. The latter, in conjunction with the exploration of multiple markets by two or more firms, could be seen as a desirable and fair situation to protect firms' resources. Here, actions entail a harmonious path (Fehr and Fischbacher, 2003), and embody fairness.

The formation or maintenance of a cooperative climate is predicated by the facility of objective communication (Bottom *et al.*, 2006; Ertel, 1999; Tencati and Zsolnai, 2009), which often depends on subjective attitudes such as expectations, assumptions, and attitudes, based on past experience or information. The classic prisoner's dilemma game result is that both parties could be relatively better off if they cooperate, as compared to a non-cooperative stance (Axelrod, 1990), although a rational decision-maker would choose non-cooperation as the less risky alternative. In other words, when communication is curtailed, the benefit of cooperation is less effective than the threats imposed by individual behaviour.

The principle of (in)congruity

We use the principle of congruity (Osgood and Tannenbaum, 1955) to give theoretical structure to our analysis of cooperative ventures.[7] This suggests that the evaluation by an individual of an object related to another individual and their subsequent attitude change tends to strengthen congruity with the individual's existing frame of reference (Osgood and Tannenbaum, 1955), which includes previous evaluations of sources related to the object. The principle of congruity, in the context of a message between two parties, predicts an individual's attitude change, taking into consideration the evaluation of both the content and the source of the message. In a two-party collaborative deal-negotiation setting, the attitude of one party regarding the contribution of the

other party towards the prospective deal should consider the benefit associated with the contribution, but also the existing status of the proponent against the first party's frame of reference. This means that an individual may provide a higher valuation of an object because someone they hold in high esteem has highly valued it. The role of expectations in this process should be stressed. During a dyadic interaction process, an individual will consider their expectations regarding not only the focal object and the other party, but also their expectations regarding the other party's attitude or heightened valuation of the focal object. The effect of heightened managerial expectations arising from current or previous alternative business decisions on expectations has been investigated with the use of simulations (Malhotra and Gino, 2011). These ideas link to the micro-dynamic process leading to mutual forbearance, because at each step options are valued based on expectations generated by tactical moves as well as on past and present constraints and experiences. The level of analysis of this study is the decision-maker[8] – either the individual (e.g. senior manager) or the team – and therefore it is appropriate to drawn on social psychology theories such as the principle of congruity for theorizing. Social psychology's basic tenets (Bales, 1950) will affect decision-making in our context. For instance: (a) decisions by individuals or teams are based on interactions including with the self, with others as well as with objects; (b) these interaction are either overt (observable) or covert (non-observable) (Bales, 1950); (c) decisions are drawn on individual cognitive patterns (Marcel, Barr and Duhaime, 2011); (d) individuals (or teams) may assess the 'value' of objects, actions or statements, and other individuals; (e) teams of individuals will have an internal dynamic during the decision-making process dependent on team characteristics regarding the strength and kind of ties among the members of the team (McPherson, Smith-Lovin and Cook, 2001). In the context of a dyadic asymmetric interaction, unfounded optimism regarding expected gains may result in above-average risk-taking (Anderson and Galinsky, 2006; Fast *et al.*, 2009, 2012) or be negatively influenced by prior cooperation (Uribe, Sytch and Kim, 2019). This effect may be based on positive

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[7]Although this principle has been explored in other contexts (Brady and Sniderman, 1985; Fatas-Villafranca *et al.*, 2011; Gross and Wiedmann, 2015; Olshavsky and Miller, 1972; Perkins and Forehand, 2012; Salciuviene *et al.*, 2010; Shapiro, 1969; Styvén *et al.*, 2020; Zhang, 2010), including international business and management studies (Buckley *et al.*, 2015; Vohra and Davies, 2020; Walsh *et al.*, 2014), it has had limited application to international collaboration.

[8]The implicit assumption here is that mutual forbearance is a vital strategic move and will reflect closely the mindset of the firm's senior leadership (e.g. the CEO or SMT).

impressions developed in the short term, by a positive created atmosphere during a negotiation session, or by long-term attitudes and expectations (Chung, Sternquist and Chen, 2006; Jap, Robertson and Hamilton, 2011; Srivastava and Chakravarti, 2009). Expectations of what the other party's next actions may be are linked to the individual's frame of reference through more objective historical information, as well as more subjective valuations developed during the dynamic interaction process.

General model – the interaction of mutual forbearance and the principle of congruity

We begin with a simple application of the principle of congruity to the case of a two-partner alliance and possible mutual-forbearance (or forbearance) situations. Then, we generate a model of mutual forbearance in the context of a two-party cooperative agreement formation emphasizing the effect of mutual forbearance contrary to the behavior suggested by the principle of congruity. Finally, we theorize on the role of time in the mechanisms underlying mutual-forbearance formation.

Application of the principle of congruity to the case of forbearance between two prospective alliance partners

We draw on the principle of congruity reversed applied to the case of a two-partner alliance (Buckley, Cross and De Mattos, 2015). Here, one partner P1 changes their attitude towards the other partner P2 in order to maintain the congruity between P2's expressed disagreement with P1's evaluation regarding the prospective contribution of P1 to the alliance ($C_{1,1}$), thus following the principle of congruity. In this case, the disagreement regarding the evaluation of an object generates a negative attitude between the partners.

A second alternative is when P2 forbears, or specifically refrains from expressing their opinion/evaluation regarding $C_{1,1}$. In the absence of an incongruent attitude from P2 (Figure 1a), P1 makes an assumption of agreement and therefore will not change their attitude towards P2, which remains neutral. Thus, P1 assumes a positive or neutral attitude (to keep congruity with the initial neutral attitude) as depicted in Figure 2(b). P2, aware

of the possible negative consequences of the incongruence, refrains from taking action in order to maintain a positive atmosphere.

A third alternative is that P1 refrains from impulsively following the congruity principle (after a negative evaluation of P2) and by so doing forbears from an action that could jeopardize the good atmosphere. This situation is illustrated in Figure 2(b). Although P2 has expressed an incongruent evaluation, P1 refrains from any impulsive action (which would follow the principle of congruity), allowing the positive (or neutral) atmosphere to remain and thus achieving mutual forbearance.

The impact of mutual forbearance on dyadic alliance negotiations

We model the effects of mutual forbearance vis-à-vis the principle of congruity during a two-party alliance negotiation. Our model demonstrates the effect of the parties' disposition to refrain from actions that would lead to conflict during a two-party cooperative business negotiation, as predicted by the principle of congruity. The conscious act of refraining from action presupposes a wish to establish a mutually beneficial long-term relationship.

We derive a general principle for the formation process of a dyadic collaboration based on the principle of congruity (Buckley, Cross and De Mattos, 2015). According to the principle of congruity, an individual is expected to agree with other individuals holding similar views. This formulation represents the change of attitude of one partner (towards the other) as a function of the total congruity of attitudes between partners towards each other or objects under negotiation (CA_{total}), and moderators of that intention (M_m). CA_{total} denotes a tendency to follow the principle of congruity. In other words, the higher the total congruity of attitude between partners, the less likely a change of attitude between partners ($\Delta A_{1,2}$). In turn, the lower the total congruity (or the higher the incongruity) of attitudes towards the objects under negotiation, the more likely is a change of attitude between partners at a given time period (i.e. from t = 0 to t = 1 in Equation (1)):

$$\Delta A_{1,2} = A_{t=1,1,2} - A_{t=0,1,2} = f_a\left(CA_{total}, M_{m=1,r}\right) \quad (1)$$

where
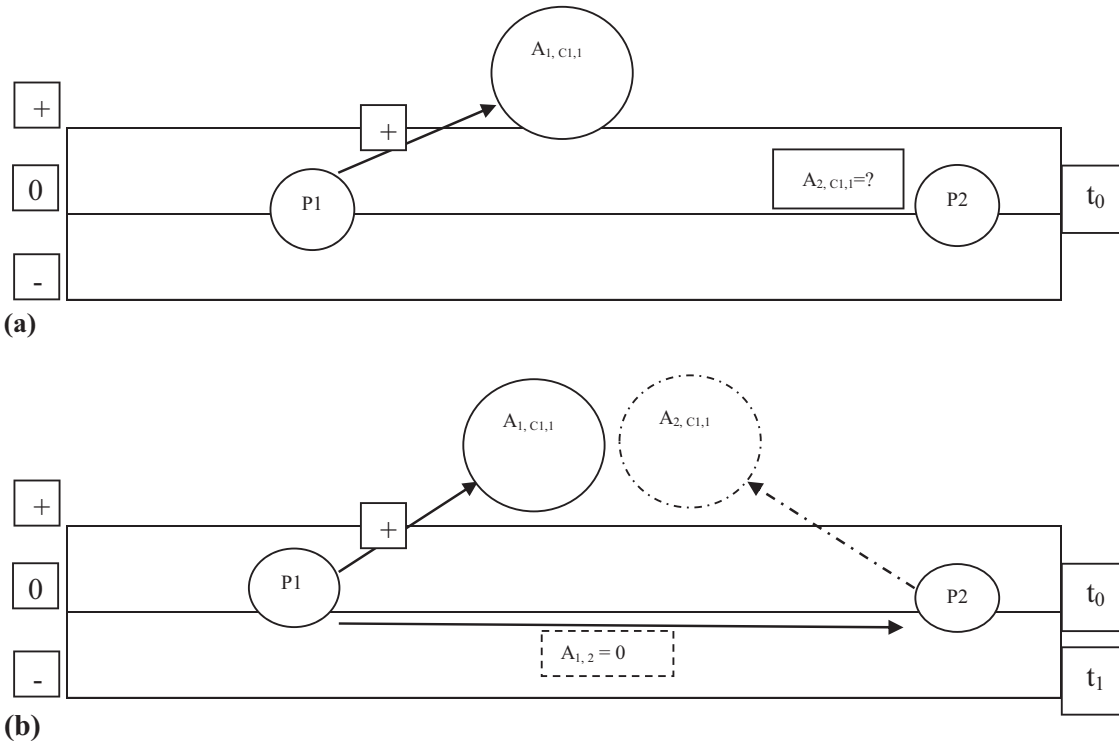
$\Delta A_{1,2}$ = attitude change of P1 towards P2

Figure 1. Attitude of P1 towards P2 does not change as P2 refrains from expressing an incongruent opinion regarding P1's potential contribution 1 ($C_{1,1}$). (a) Initial setting ($t = 0$): attitude of P1 towards P2 is neutral; attitude of P1 towards $C_{1,1}$ is positive; attitude of P2 towards $C_{1,1}$ is not disclosed. (b) Subsequent setting ($t = 1$): in the absence of an incongruent attitude, P1 assumes a positive attitude of P2 towards $C_{1,1}$ and the attitude of P1 towards P2 remains neutral as initially

$A_{t=1,1,2}$ = attitude of P1 towards P2 at time $t = 1$

$A_{t=0,1,2}$ = attitude of P1 towards P2 at time $t = 0$

f_a = a function representing the congruity and moderation effects

CA_{total} = the cumulative congruity or incongruity regarding the contributions of each partner.

$M_{m=1,r}$ refer to r moderator variables (i.e. m = 1,2,3, …, r) that will impact on the adaptation of the congruity function, such as cultural differences among parties, different mind-sets, different gender perspectives, or their combined effects.[9]

CA_{total} may be developed further as a function of the overall congruence between the attitudes of each partner regarding the contributions of each partner (C_k and $C_{k'}$, where k is the number of contributions from P1 and k′ the number of contributions from P2):

$$CA_{total} = g\,(CA_{C1},\ CA_{C2},\ …,\ CA_{Ck},$$
$$CA_{C1'},\ CA_{C2'},\ …,\ CA_{Ck'}) \quad (2)$$

where

g = a function representing the effects of the parties' congruity of attitude for each partner contribution

$CA_{C1},\ CA_{C2},\ …,\ CA_{Ck}$ = the congruities between the partners regarding C_k contributions of P1

$CA_{C1'},\ CA_{C2'},\ …,\ CA_{Ck'}$ = the congruities between the partners regarding $C_{k'}$ contributions of P2.

Mutual forbearance is a moderator countering the effect of the principle of congruity where the congruity effect would be non-trivial. In other words, when the congruity between partners regarding the importance of partners' contribution is weak and therefore the tendency is towards less agreement (or conflict) with the counterpart, forbearance may delay the negative action deriving

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[9]$M_{m=1,r}$ may be represented by the sum of effects due to the moderator-variable or $\Sigma^r_{m=1}\ M_m$.
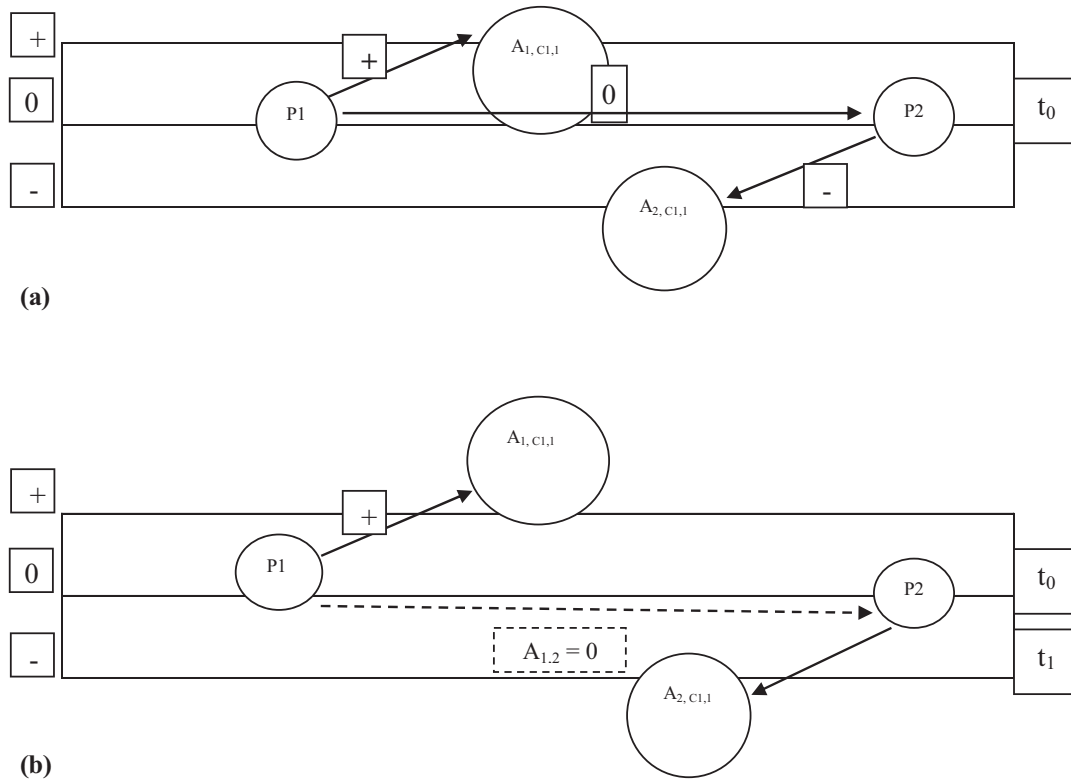
(a)

(b)

Figure 2. Attitude of P1 towards P2 does not change as P1 refrains from following the principle of congruity, adjusting their attitude towards P2 (following P2's incongruent evaluation of $C_{1,1}$). (a) Initial setting ($t = 0$): attitude of P1 towards P2 is neutral; attitude of P1 towards $C_{1,1}$ is positive; attitude of P2 towards $C_{1,1}$ is negative. (b) Subsequent setting ($t = 1$): in the face of an incongruent attitude from P2, P1 refrains (forbears) from following the principle of congruity, thus adjusting their attitude towards P2, which remains neutral as initially

from the situation described. Mutual forbearance is the combined effect of individual (or team) willingness to forbear during interactions with each other. This behaviour occurs in the formation of airline networks (Star Alliance, Sky Team, One World), when specific contributions from membership of the network may not be forthcoming in the short term. However, airlines will delay a rational decision considering the short-term gains due to the prospects of long-term benefits (Gomes-Casseres, 1996). More specifically, mutual forbearance within a dyadic alliance negotiation is defined as a function of the combined effect of the individual forbearance of each partner at a specific point in time (t):

$$MFb_t = h(F_{t,1,2}, \ F_{t,2,1}) \qquad (3)$$

where

MFb_t = mutual forbearance at time t

h = a function of the individual forbearance demonstrated by each partner (to the other)

$F_{t,1,2}$ = forbearance of P1 towards P2 at time t

$F_{t,2,1}$ = forbearance of P2 towards P1 at time t.

Hence, assuming mutual forbearance to be a moderator variable (i.e. M_1), we have $M_1 = MFb_{t=1}$ (where $MFb_{t=1}$ represents mutual forbearance at time $t = 1$); the implicit assumption here is that an event occurs in $t = 0$, which may generate forbearance from either or both parties. Equation (1) may be written as

$$\Delta A_{1,2} = A_{t=1,1,2} - A_{t=0,1,2}$$
$$= f_a(CA_{total}, M_1, M_{m=2,r})$$

or

$$\Delta A_{1,2} = A_{t=1,1,2} - A_{t=0,1,2}$$
$$= f_a(CA_{total}, MFb_{t=1}, M_{m=2,r})$$

or still

$$A_{t=1,1,2} = A_{t=0,1,2} + f_a(CA_{total}, MFb_{t=1}, M_{m=2,r})$$
$$(4)$$

Further assume for simplicity that the combined effect of moderators other than mutual forbearance ($MFb_{t=1}$) leans towards 0, or $M_{m=2,r} \sim 0$. Notwithstanding the change in attitude becomes a function of total congruity and mutual forbearance, and Equation (4) may be written as

$$A_{t=1,1,2} = A_{t=0,1,2} + f_a\,(CA_{total}, MFb_{t=1})$$

For simplicity, assume h is a linear function (see Equation (3)), which leads to

$$MFb_{t=1} = F_{t=1,1,2} + F_{t=1,2,1}$$

Considering also CA_{total} as a linear function we have

$$CA_{total} = \sum_{k} CA_{Ck} + \sum_{k'} CA_{Ck'}$$

where

$\Sigma_k\ CA_{Ck}$ = the linear combination of the congruity between partners regarding the Ck prospective contributions of P1

$\Sigma_{k'}\ CA_{Ck'}$ = the linear combination of the congruity between partners regarding the Ck′ prospective contributions of P2.

Furthermore, mutual forbearance would be expected to reverse the tendency postulated by the congruity principle.

Thus, Equation (4) becomes

$$A_{t=1,1,2} = A_{t=0,1,2} + f_a\left(\sum_{k}CA_{Ck} + \sum_{k'}CA_{Ck'}, F_{t=1,1,2} + F_{t=1,2,1}\right) \quad (5)$$

The attitude of P1 towards P2 at time $t = 1$ is dependent on a function (f_a) of the linear sum of congruity between the partners regarding the contributions brought into the alliance on the one hand, and the sum of the forbearance effects demonstrated by each partner on the other hand. If the parties do not forbear, the principle of congruity holds. Thus, mutual forbearance is expected to reverse or counterbalance the tendency postulated by the congruity principle.

We have developed the concept of mutual forbearance on the basis of an individual-to-individual (or team-to-team) interactive process to form a dyadic cooperative agreement, applying the principle of congruity reversed (Buckley, Cross and De Mattos, 2015) and deriving a general model demonstrating the attitude and behaviour of one party vis-à-vis another party and their actions. This involves the potential contributions of both parties and their evaluation of those contributions. Mutual forbearance as a moderating factor counteracts the parties' expected behaviour based on the principle of congruity. Next, we model the crucial role of time.

The role of time

Consider two general actors in the economy, such as senior managers (interacting actor 1 = IA1, interacting actor 2 = IA2). We examine the actions taking place between a point in time where mutual forbearance intentions have yet not generated any action and another point in time when mutual forbearance is agreed. Mutual forbearance comprises basically two actions: one initial conditional forbearance act of A1 towards A2 ($CF_{1,2}$) followed by a counter conditional forbearance act from A2 towards A1 ($CF_{2,1}$). Thus, we arrive at a modified expression for Equation (3), which considers the time between consecutive forbearance acts of the interacting actors/prospective partners:

$$MF_{t,1,2} = f\,(CF_{t=0,1,2}, CF_{t,2,1}) \quad (6)$$

where

$MF_{t,1,2}$ = the mutual forbearance between A1 and A2 at time t, represented by function f

$CF_{t=0,1,2}$ = the initial conditional forbearance act from A1, let's say at time 0

$CF_{t,2,1}$ = the counter conditional forbearance act from A2 towards A1 at time t.

A conditional forbearance from A1 towards A2 ($CF_{1,2}$) indicates that IA1 refrains from an act detrimental to IA2 that would be expected, given the circumstances (an action following the principle of congruity) for a specified period of time during which IA2 is expected to refrain from another action that has been perceived just as detrimental to IA1. The effectiveness of the initial conditional forbearance act in generating mutual forbearance depends on the timing of the ensuing conditional forbearance act (i.e. $CF_{t,2,1}$) relative to the initial forbearance act (i.e. $CF_{t=0,1,2}$). After refraining from an act potentially detrimental to IA2, IA1 will only wait for a reciprocal and equivalent in(action) from IA2 up to a certain point in time. The effectiveness of $CF_{t=0,1,2}$ and $CF_{t,2,1}$ in generating a mutual-forbearance act will also depend on the congruity between the actors'

evaluations of the worth equivalence of those conditional forbearance acts (i.e. $CF_{t=0,1,2} \cong CF_{t,2,1}$).

Drawing on the principle of congruity, $CF_{t=0,1,2}$ will depend on the initial attitude of IA1 towards IA2, the combined effect of the congruence of evaluations of IA1 relative to those of IA2 towards the items (or issues) under negotiation, as well as a specified period of time during which IA2 is expected to reciprocate such (in)action.

Thus, we present the following function depicting $CF_{t=0,1,2}$:

$$CF_{t=0,1,2} = f(A_{1,2,t=0};\ CA_{total};\ \Delta T_{1,2}) \quad (7)$$

where

$A_{1,2,t=0}$ = the attitude of A1 towards A2 at time 0

CA_{total} = the combined effect of the congruence of attitudes/evaluations of A1 with those of A2 towards each of n items (perceived to be) under negotiation (cf. Equation (2))

$\Delta T_{1,2}$ = the time period that IA1 is willing to forbear their (in)action while waiting for a reciprocal and equivalent forbearance (in)action from IA2.

The ensuing conditional forbearance act from IA2 in a similar manner depends on the initial attitude of IA2 towards IA1, the combined effect of the congruence of attitudes/evaluations between IA2 and IA1, and on IA2 discernment regarding the equivalence of $CF_{t,2,1}$ apropos $CF_{t=0,1,2}$. It may be written as

$$CF_{t,2,1} = f(A_{t=0,2,1};\ CA_{total};\ DE_{Cf2,1;\ Cf1,2}) \quad (8)$$

where

$A_{t=0,2,1}$ = the attitude of IA2 towards IA1 at time 0

CA_{total} = the combined effect of the congruence of attitudes/evaluations of IA1 and IA2 towards each of n items (believed to be) under negotiation

$DE_{Cf2,1;\ Cf1,2}$ = the discernment of IA2 regarding the equivalence of $Cf_{2,1}$ apropos $Cf_{1,2}$.

The terms regarding attitudes and congruency are similar to those in the general model. Therefore, the crucial constructs comprise the time IA1 is willing to wait until IA2 reciprocates the (in)action of IA1 (i.e. $\Delta T_{1,2}$) and the discernment of IA2 regarding the equivalence of $CF_{t,2,1}$ apropos $CF_{t=0,1,2}$ (i.e. $DE_{Cf2,1;\ Cf1,2}$).

The latter term will be dependent on the perceived potential gains of an (in)action (gains associated with a less aggressive positioning of the competition in a particular market). It is a potentially complex decision, and the lack of information is likely to push it into the realm of intuitive decision-making. It thus goes beyond the scope of this paper.

We focus our attention on the former construct. $\Delta T_{1,2}$ is dependent on national, industry and corporate cultures, as well as on the decision-maker's mind-set and previous experience. This effect could be written as

$$\Delta T_{1,2} = g\,(\text{cultural influences, mind} \\ -\text{set, experience}) \quad (9)$$

Thus, we propose a model that furthers our understanding of the role of time in the micro-mechanisms underlying mutual forbearance. We also introduce the concept of conditional forbearance as a micro-dynamic act within the process of establishing a multi-forbearance agreement, consequently highlighting the role of time in the process.

Application of the general model to cross-cultural interactions

An important application of the general model of mutual forbearance is cross-cultural business interactions. National cultural differences in negotiations across cultures may generate conflicts and even insurmountable obstacles (Adler, Brahm and Graham, 1992; Brett and Okumura, 1998; Chen, Mannix and Okumura, 2003; Graham, 1985; Graham, Evenko and Rajan, 1992; Lee, Shenkar and Li, 2008; Liu, Chua and Stahl, 2010; Liu, Friedman and Hong, 2012b). Graham, Evenko and Rajan (1992) suggest that particular cultures may favour specific negotiation styles. This may be linked to both the direct effects of a particular cultural environment (absolute viewpoint) or to the result of one culture interacting with another (relative viewpoint) (Shenkar, Luo and Yeheskel, 2008). Cultural friction between interacting firms during negotiation refers to a number of dimensions that would otherwise lead to a positive atmosphere, such as effective communication and trust-building. This highlights the differences or relative importance of the individuals in such a process and its implications, including

trust-building (Abramson *et al.*, 1993; Adler, Doktor and Redding, 1986; Lander and Kooning, 2013; Malhotra, 2013; Redding, 1980).

Some cultures value relationship aspects differently (Chung, Sternquist and Chen, 2006) – often an outcome of face-to-face interaction. Cultural effects will be stronger at the start of personal interaction (Marshall and Boush, 2001) rather than when time has allowed for cultural change in the individuals involved or in their preferred behaviour (Molinsky, 2007; Tinsley, 1998; Tinsley and Pillutla, 1998).

When a negotiator from a particular cultural background has a higher propensity to avoid conflict than a negotiator from a different cultural background, it is logical that one of the mechanisms they will employ in conducting a negotiation is forbearance. Acts of mutual forbearance may counter negative effects of the principle of congruity in the short term (aiming at better prospects in the long term). This parallels acts of selfless generosity, or giving without expecting anything in return.

Temporal perceptions of individuals vary across cultures (Mosakowski and Earley, 2000). To illustrate a situation where individuals with different culturally embedded forbearance approaches interact, we could examine the 'collective versus individual' dimension of culture (Hofstede, 1980). An individual from a collective culture is likely to have had several opportunities in which forbearance was employed in order to follow a less conflicting interaction path, and thereby ensure group harmony and support the maintenance of collective objectives vis-à-vis individual objectives (Delerue and Simon, 2009). We argue that this common in-group practice of forbearance may foster its use in interactions with out-group individuals. It is reasonable to assume that members of collectivist cultures will demonstrate higher forbearance to out-group individuals than members of individualist cultures. Therefore, mutual forbearance, which comprises the effects of each party's forbearance approach, is a function of national cultural influences on the individual.

Using the development regarding the role of time in the formation of mutual forbearance (Equation (7)), considering the impact of cultural influences on $\Delta T_{1,2}$ (Equation (9)) and disregarding for simplification the effects of mind-set and experience (i.e. mind-set effect $\cong 0$; experience effect $\cong 0$), we have

$$\Delta T_{1,2} = g(M_{c,1})$$

where

$M_{c,1}$ = the cultural influences (e.g. cultural background) of IA1

and therefore

$$CF_{t=0,1,2} = f(A_{t=0,1,2}; CA_{total}; g(M_{c,1})) \quad (10)$$

Thus, we arrive at the following proposition:

P1: The effectiveness of an act of mutual forbearance will differ for actors of different cultural backgrounds because of their culturally dependent expectation regarding the speed of reaching congruity (or the time the first actor will allow for the consecutive forbearance act to appear).

Effectiveness in the context of mutual forbearance is the likelihood of reaching the end of a mutual-forbearance process.

We expect that the equivalence of two conditional forbearance acts is culturally dependent, particularly if the evaluation of the actions involves abstract and complex estimates (estimates based on expectations regarding future scenarios). Some cultures favour long-term whereas others favour short-term orientations in their decision-making (Minkov and Hofstede, 2012). A short-term orientation may influence negatively (lower) the evaluation of a current action vis-à-vis the rewards the same action could potentially bring in the long term. If we consider a developing country scenario where uncertainty and unreliable information are rife, this effect may be multiplied (as even a manager of a long-term culture will be tempted to consider relatively more short-term strategies due to the unpredictable environment).

Using the development regarding the discernment of the equivalence of conditional forbearance acts in the formation of mutual forbearance (Equation (8)), and considering the impact of cultural influences on $DE_{Cf2,1; Cf1,2}$, we have

$$DE_{Cf2,1;Cf1,2} = r(M_{c,2})$$

where

$M_{c,2}$ = the cultural influences (e.g. cultural background) of IA2

and therefore

$$CF_{t,2,1} = f(A_{t=0,2,1}; CA_{total}; r(M_{c,2})) \quad (11)$$

Thus, we arrive at the following proposition:

P2: The effectiveness of an act of mutual forbearance will differ for actors of different cultural backgrounds because of their culturally dependent discernment regarding the equivalence of conditional mutual-forbearance acts.

Previously, we attempted to isolate the effect of mutual forbearance by considering the assumption that the effect of other moderators tends to zero. However, we observe that culture (as a potential moderator) may indirectly affect mutual forbearance, as indicated above. Our assumption may be easier to support if we consider that the tendency to forbear, or refrain from taking a (negative) action, may already incorporate the effects of other moderators such as culture. Mutual forbearance during the negotiation may be determined not only in absolute terms by the national cultural influences of each interacting negotiator (or the national culture of each party if we consider the negotiators of each party as belonging to one culture), but also in relative terms by the cultural distance and friction between the parties (Shenkar, Luo and Yeheskel, 2008). Mutual forbearance (as well as forbearance) may be seen as representing a visible action determined in part by cultural effects on both relative and absolute viewpoints, and hence, as an outcome of the effects of culture on negotiations.

Conclusion

The understanding of mutual forbearance, combined with the principle of congruity, is key to building a process model of alliance creation and operation. The contribution of this paper is to draw together these two principles from different disciplines – the principle of congruity (social psychology) and mutual forbearance (international business/economics) – to examine the micro-mechanisms of the mutual-forbearance formation process as a strategy that may lead to cooperation. First, we looked at the role of the individual in individual-to-individual or team-to-team micro-mechanisms associated with the mutual-forbearance formation process. Second, we presented a theory on the role of time on individual actions in the mutual-forbearance formation process. Our novel perspective that considers time and individual-level interactions viewed through the principle of congruity allows executives/managers' intentions and actions to be understood in the light of moderating factors such as experienced cultural influences and mind-set influences.

Considering the role of time in the dynamic process of individuals' actions and reactions leading to the setting up of a mutual-forbearance agreement should lead to an increase in the number and longevity of such international inter-organizational business agreements. A better understanding of the dynamic micro-process caused by and generating interactions between individuals (decision-makers) and the role of time in the context of establishing a mutual-forbearance agreement should decrease conflict situations, increasing the likelihood of forming business collaborations. Our individual-level model suggests that decisions in the context of establishing a mutual-forbearance deal are affected by individual-level micro-decisions that may not be explicitly expressed nor rationally considered as part of the process.

Based on social psychology, we employ the principle of congruity as the basis for furthering our understanding of this 'mental process'. Our model opens up a 'black-box' – that is, the implicit processes leading to explicit decision-making in the context of mutual forbearance. The role of time is an essential component of this process. Timing of actions and reactions in the context of a sequence of interactions between decision-makers involved in establishing a mutual-forbearance agreement – or the time allowed for the counterparty to respond or act – may be seen as promoting or defusing conflict situations, hence promoting harmonious interaction. We focus on the effect of implicit messages using tactical actions and reactions as equivalent to a sign language employed in the context of market interactions. We highlight the importance of the interpretation of such signs as well as timing considerations, taking into account specific conditions of each agent's context and their effect on this dynamic process.

The key to successful alliance creation and operation is to embed a flexible governance structure that builds confidence and allows continual and continued investment by all parties in the alliance. The concept of mutual forbearance and the congruity of actions with all parties' frame of reference are the underlying factors that explain this process.

This study has limitations that provide ideas for further research. Firstly, we look at the theoretical extension regarding the moderation of behaviour predicted by the principle of congruity. In this paper, we have indicated possible moderators, such as the cultural influences experienced by senior managers of multinational corporations, or their mind-set/expectations, which are usually linked to current or former business procedures in the business environment of the countries they are originally from (e.g. legal formalities, informal business procedures, dubious practices not accepted elsewhere). The process of mutual forbearance could be influenced by other factors besides culture or cultural clusters. For instance, stereotypical views regarding managers/firms from developing nations versus those of developed nations. Individual circumstances outside cultural constraints, such as: (1) individual reactions based on personal past experiences leading to unfounded generalizations; (2) general confidence and past experience with cross-cultural interactions; or (3) the comparative bargaining power of firms (possibly extended to their senior managers) due to size, in-house expertise, exclusive access to valuable resources or knowledge.

Locational factors, such as the strategic importance of a particular location to the firm, could be influential (Dunning, 2009). Other moderators could independently have an effect on the timing of the actions regarding the development of mutual forbearance. Moreover, these moderators could have a double effect – one on the potential to allow for trust, and the second impacting on the development of mutual forbearance. We illustrated the possible effects of cultural background on mutual forbearance using Hofstede's 'collective versus individual' cultural dimension. Other dimensions of culture could have a different effect, to be investigated further. Comparative studies of firms from different countries would add to our understanding of how culture impacts on mutual forbearance and collaboration formation. Investigations as to how mutual forbearance may be used in the context and particular conditions of small and medium enterprises (SMEs) are also of great interest. Further, the relationship between the repeated use of mutual forbearance and the accomplishment of additional cooperative ventures merits further attention. For instance, the impact of perceptions brought about by specialized social media websites (e.g. LinkedIn)

formed prior to (or at the start of) the option to engage in mutual forbearance. We examine, for example, the history of alliances (both successful and unsuccessful) under the leadership of a particular senior manager. The effectiveness of mutual-forbearance micro-mechanisms under different conditions might be explored further. For instance, considering a potential dyadic alliance, what level of uncertainty is associated with specific partners' contributions and how effective can mutual forbearance be in mitigating those various situations? Our paper proposes a conceptual model that should lead to attempts to empirically verify its functioning and its validity, carried out through data simulations.

By adopting the predictions suggested by our model, managers are better able to prepare or develop appropriate skills. The increased understanding provided by our model supports a contained and reflective attitude from managers in such contexts. It should inform/equip managers to undertake more effective preparation prior to establishing mutual-forbearance agreements. By positively influencing managerial expectations (Malhotra and Gino, 2011) and establishing a positive atmosphere, the likelihood of success will increase (Jap, Robertson and Hamilton, 2011). In other words, managers should employ a rational search for alternatives and give appropriate consideration to circumstantial influences such as national culture and mind-set.

This approach is equivalent to choosing (or abdicating) the required message to establish a positive atmosphere (Chung, Sternquist and Chen, 2006; Srivastava and Chakravarti, 2009) considering tactical (market) actions instead of messages. Although we have focused on market tactical actions, we could also consider a broader range of actions that might generate congruous (positive) or incongruous (negative) outcomes.

It should also be possible to identify a priori potential areas of conflict, whose likelihood can be minimized, as well as areas of harmony, whose likelihood should be maximized.

Although we assume a situation where direct contact does not take place, an atmosphere of implicit trust is developed over time. During this time, the higher the congruity of objectives that is implicit in sequences of actions and reactions, the higher the likelihood of those actions and reactions developing trust. Trust-building therefore may be reinforced through both bilateral (Kim,

Dirks and Cooper, 2009) and unilateral initiatives. This argument draws on literature that emphasizes the importance of communication between parties (Liu, Chua and Stahl, 2010; Mohr and Spekman, 1994). Our contribution is that in the situation we portray, there is no direct communication between the parties, only indirect communication through market signals. Despite this, conducting such an interactive process in a clear and effective manner remains important.

Policy-makers should have a clear understanding of the processes through which business deals are formed in order to effectively and positively carry out market interventions. Although the use of mutual-forbearance understandings has mostly been restricted to large corporations, SMEs may also benefit from such agreements. Born-global SMEs (Knight and Cavusgil, 2004; Knight and Liesch, 2016; Zander, McDougall-Covin and Rose, 2015) targeting niche markets are examples of such propitious conditions.

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